

# Market Mechanisms and User Fees in Transportation

## PROBLEM STATEMENT

Transportation market mechanisms can be used to regulate travel behavior, allocate transportation resources, and raise revenue. Transportation user fees are one example of a market mechanism. User fees enjoy broad acceptance in public utilities, parking, and in transportation modes such as public transportation, rail, ferries, and air travel. However, roads and bridges are regarded as ‘free’ by many drivers, and user fees on these facilities are considered unacceptable by many in Washington state.

There are arguments on both sides of the debate. User fees can raise significant amounts of new revenues, send price signals to reduce demand on congested roadways, and may increase the efficiency of the roadway system. However, tolls are politically unpopular, many people believe that existing programs provide sufficient transportation revenues. There are also concerns that congestion problems will move from priced to unpriced roadways, not solving the problem at all.

## POTENTIAL APPROACHES

These types of market mechanisms could be implemented within the existing framework of Washington’s laws:

- **Road or usage pricing:** congestion relief districts might use locally imposed user fees on a specific geographic area to fund improvements at congestion ‘choke’ points, new capacity, or technology solutions. A variety of types of fees could be imposed, such as locally-approved gas tax, tolls, or mileage fees.
- **Parking fees:** Under ‘local option’ legislation, cities or counties may levy a charge on commercial parking. This could be further refined by focusing specifically on commuters and all-day users. ‘Cashing out’ employer-provided parking, by requiring employers that offer free parking instead to give employees the cash value of the parking, enabling them to choose their mode of transportation, is one way to reduce barriers to transportation alternatives.
- **Pricing alternatives:** Reducing the price of alternative transportation modes, such as transit, and/or making them more available and convenient to use, may influence travel behavior and also raise revenues. One example already in place in Washington is the University of Washington’s successful U-Pass program, which encourages transit and carpool use for students, faculty, and staff.